

January 3, 1995

**Agreement in Principle  
Between the  
Board of Governors of the Federal Reserve System  
Office of the Comptroller of the Currency  
Federal Deposit Insurance Corporation  
Office of Thrift Supervision  
and the  
National Association of Securities Dealers**

**Background**

In recent years, depository institutions have become increasingly involved in selling uninsured nondeposit investment products, such as mutual funds, to retail customers on their premises. In response to this development, on February 15, 1994, four federal financial institutions regulators (the banking agencies) issued an Interagency Statement on the Retail Sale of Nondeposit Investment Products (Interagency Statement). The Interagency Statement contains guidelines for sales of nondeposit investment products on depository institution premises designed to enhance protection and lessen the potential for customers confusing such products with insured deposits.

The Interagency Statement's guidelines apply to recommendations and sales of nondeposit investment products by employees of depository institutions as well employees of affiliated or unaffiliated third parties located on depository premises. When such third parties are broker dealers registered with the Securities Commission and are members of the National Association of Securities Dealers (NASD), the NASD has regulatory and examining authority with respect to requirements adopted under the federal securities laws applicable to sales of nondeposit investment products. Broker dealers that are affiliated with a depository institution also are subject to the supervisory authority of a banking agency.

The banking agencies and the NASD share a common interest in the supervision of broker dealers selling nondeposit investment products on depository institution premises and, in particular, the supervision of broker dealers affiliated with a banking organization or thrift association, i.e., an affiliate, subsidiary or service corporation of a depository institution that is supervised by one or more of the undersigned banking agencies. To ensure that this common interest is addressed with a minimum of duplication of efforts by the respective regulatory organizations and to promote regulatory consistency and reduce unnecessary burdens, the banking agencies and the NASD agree in principle to cooperate in the manner described below in order to facilitate the coordination, and enhance the effectiveness, of examination efforts by the banking agencies and by the NASD.

**Sharing of Examination Schedules and Examination Information**

1. Sharing of examination schedules between the NASD and the banking agencies for depository institutions with affiliated broker dealers.

The banking agencies shall share their respective examination schedules for investment product sales programs at depository institutions with affiliated broker dealers with the Director of the appropriate NASD district office as early in the scheduling process as practicable. To the extent practicable, the

Director of the appropriate NASD district office also should be contacted when a depository institution, that has a broker dealer affiliate located on bank premises, is given notice of an examination of its investment product sales program by a banking agency. In addition, to the extent practicable, the NASD shall provide the appropriate banking agency with an examination schedule for broker dealers affiliated with depository institutions subject to the agency's supervision and shall notify the banking agency when it initiates an examination of such a broker dealer.

If a banking agency or the NASD believes, for whatever reason, that it would be appropriate for the two to coordinate their respective examinations of a bank affiliated broker dealer, it shall contact the appropriate NASD or banking agency district office to request such coordination. A banking agency or the NASD may request that one or more of its examiners act as an observer during the other's examination of an affiliated broker dealer. Unless specifically agreed otherwise, the presence of an observer will not be viewed as a joint examination by the banking agency and the NASD, and will not result in the issuance of joint examination findings. In addition, while observers normally will not perform an examination on behalf of their agency or association, the banking agency or the NASD may pursue any observations made by its personnel as a result of such an arrangement.

2. Access to NASD examination findings and workpapers pertaining to the most recent examination of an affiliated broker dealer.

Banking agencies should have access to the results of the most recent NASD examination pertaining to an affiliated broker dealer from the depository institution or directly from the broker dealer. In instances in which such results, for whatever reason, cannot be obtained from the depository institution or its affiliated broker dealer, a banking agency may obtain information on the examination from the appropriate NASD district office. In instances in which a banking agency has questions about the NASD's findings or the status of any corrective actions taken by the broker dealer, it may contact the NASD district office that initiated the action and obtain the requested information.

If it is deemed necessary to obtain more detailed examination information concerning the affiliated broker dealer, a banking agency may contact the appropriate NASD official to arrange to review examination work papers at the NASD's district office.

3. Banking agency referrals to the NASD regarding affiliated broker dealer examination findings.

In the event that a banking agency concludes that apparent violations that fall under the regulatory jurisdiction of the NASD have occurred at a broker dealer selling nondeposit products on the premises of a depository institution, the agency shall promptly notify the NASD and cooperate to the extent permitted under applicable law.

4. NASD communications to banking agencies regarding examination results pertaining to affiliated broker dealers.

In the event that the NASD concludes that apparent violations that fall within the jurisdiction of a banking agency have occurred at a broker dealer affiliated with a depository institution, it shall promptly notify the appropriate banking agency for the depository institution affiliated with the broker dealer to the extent permitted under applicable law.

In the event the NASD has determined to initiate a formal disciplinary action against a bank affiliated broker dealer, or an individual associated with the broker dealer, alleging significant violations of NASD requirements or federal securities laws, the NASD shall promptly communicate this information to the appropriate banking agency for the depository institution affiliated with the broker dealer.

5. Communications between the banking agencies and the NASD pertaining to broker dealers not affiliated with a depository institution.

A banking agency, in connection with its examination of a depository institution, that has reasonable concerns about the activities of a broker dealer selling nondeposit investment products on the premises of an unaffiliated depository institution may request from the NASD information concerning the most recent examination results pertaining to those activities of the broker dealer if it believes that such information may facilitate the banking agency's supervision of the depository institution. The NASD will provide such information upon confirmation of the existence of an agreement between the depository institution and the broker dealer to make such information available to the institution and the appropriate banking agency and a representation that the institution/agency has been unable to obtain information notwithstanding such agreement. If it is deemed necessary to obtain more detailed examination information concerning the unaffiliated broker dealer, a banking agency may contact the appropriate NASD official to arrange for a review of the relevant examination work papers at the NASD's district office. The banking agency will use information obtained under this paragraph in connection with its oversight of the depository institution and not for the purpose of examining the unaffiliated broker dealer.

In the event the NASD has determined to initiate a formal disciplinary action alleging significant violations of NASD requirements or federal securities laws against a broker dealer, or an associated person of such broker dealer, that sells nondeposit investment products on depository institution premises but is not affiliated with the institution, the NASD shall promptly communicate this information to the appropriate banking agency for the depository institution.

6. Communications pertaining to issues of common interest.

The banking agencies and the NASD will communicate with each other to the fullest extent possible on matters of common interest, such as regulatory and policy initiatives and educational efforts, pertaining to sales of nondeposit investment products on depository institution premises in order to assure a general awareness of the respective interpretative positions taken by the banking agencies, the NASD and by other securities regulators.

7. Confidentiality of Information Exchanged Between the NASD and the Banking Agencies.

Any information exchanged between the NASD and a banking agency must be for a legitimate regulatory or supervisory purpose. The confidentiality of information relating to examination reports or other confidential supervisory information exchanged must be maintained to the fullest extent possible and may not be released to any third party or to the public without the prior written agreement of the furnishing party. Each banking agency and the NASD agree to notify the furnishing party promptly of any requests for information and to assert any applicable legal exemptions or privileges on behalf of the furnishing party as that party may request.

8. Existing Jurisdictions and Interagency Agreements.

Nothing in this Agreement in Principle restricts, enlarges, or otherwise modifies the respective jurisdictions of the banking agencies or the NASD. Moreover, nothing in this Agreement in Principle supersedes or modifies any existing agreement between the banking agencies concerning coordination of examination efforts or the sharing of examination information.

## 9. Designation of Officials for Purposes of Exchanging Information.

As soon as practicable after signing this Agreement in Principle, the banking agencies and the NASD will advise one another of the appropriate officials to contact for making exchanges of information covered by this Agreement in Principle, and will update such information as appropriate.

BY:



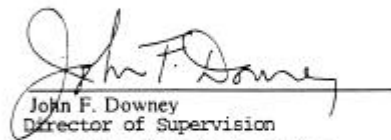
Richard Spillenkothen, Director  
Division of Banking Supervision  
for: Board of Governors for the  
Federal Reserve System



Stephen R. Steinbrink,  
Senior Deputy Comptroller  
for: Office of the Comptroller of the  
Currency



Stanley J. Poling, Director  
Division of Supervision  
for: Federal Deposit Insurance  
Corporation



John F. Downey  
Director of Supervision  
for: Office of Thrift Supervision



John E. Pinto, Executive Vice President  
for: National Association of  
Securities Dealers

This Agreement is effective January 3, 1995.

**NASD District Directors and Office Addresses**

(as of April 2001)

**District No. 1**

Director - Elizabeth Owens

Northern California (the counties of Monterey, San Benito, Fresno, and Inyo and the remainder of the state north and west of these counties), northern Nevada (counties of Esmeralda and Nye and the remainder of the state north or west of such counties), and Hawaii

525 Market Street, Suite 300  
San Francisco, CA 94105-2711  
415/882-1200

**District No. 2**

Director - Lani Woltmann

Southern California (that part of the state south or east of the counties of Monterey, San Benito, Fresno, and Inyo), southern Nevada (that part of the state south or east of the counties of Esmeralda and Nye), and the former U.S. Trust Territories

300 South Grand Avenue, Suite 1600  
Los Angeles, CA 90071  
213/627-2122

**District No. 3**

Director – Frank Birgfeld

Arizona, Colorado, New Mexico, Utah, and Wyoming

Republic Plaza Building  
370 17th Street, Suite 2900  
Denver, CO 80202-5629  
303/446-3100

Director - James Dawson

Alaska, Idaho, Montana, Oregon, and Washington

Two Union Square  
601 Union Street, Suite 1616  
Seattle, WA 98101-2327  
206/624-0790

### **District No. 4**

Director – Thomas Clough  
Iowa, Kansas, Minnesota, Nebraska, North Dakota, and South Dakota

12 Wyandotte Plaza  
120 W. 12th Street, Suite 900  
Kansas City, MO 64105  
816/421-5700

### **District No. 5**

Director – Warren Butler, Jr.  
Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Oklahoma, and Tennessee

1100 Poydras Street  
Energy Centre, Suite 850  
New Orleans, LA 70163  
504/522-6527

### **District No. 6**

Director - Bernerd Young  
Texas  
12801 N. Central Expressway, Suite 1050  
Dallas, TX 75243  
972/701-8554

### **District No. 7**

Director - Alan Wolper  
(Florida, Georgia, North Carolina, South Carolina, Virginia, Puerto Rico, the Canal Zone, and the U.S. Virgin Islands)

One Securities Center, Suite 500  
3490 Piedmont Road, N.E.  
Atlanta, GA 30305  
404/239-6100

### District No. 8

Director - Carlotta Romano  
Illinois, Indiana, Michigan and Wisconsin

55 West Monroe Street  
Suite 2700  
Chicago, IL 60603-5001  
312/899-4400

Director - William Jackson, Jr.  
Ohio and part of upstate New York (the counties of Monroe, Livingston, and Steuben and the remainder of the state west of such counties)

Renaissance on Playhouse Square  
1350 Euclid Avenue, Suite 650  
Cleveland, OH 44115  
216/694-4545

### District No. 9

Director - Gary Liebowitz  
New Jersey (except southern New Jersey in the immediate Philadelphia vicinity)

581 Main Street, 7<sup>th</sup> floor  
Woodbridge, NJ 07095  
732/596-2001

Director - John Nocella  
Delaware, Pennsylvania, West Virginia, District of Columbia, Maryland, and the part of southern New Jersey in the immediate Philadelphia vicinity

11 Penn Center  
1835 Market Street, 19th Floor  
Philadelphia, PA 19103  
215/665-1180

### **District No. 10**

Director - David Leibowitz  
The five boroughs of New York City and Long Island

One Liberty Plaza  
New York, NY 10006  
212/858-4000

Long Island Satellite Office  
Two Jericho Plaza  
Jericho, NY 11753  
516/949-4201

### **District No. 11**

Director – Fred McDonald  
Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, and New York (except for the counties of Monroe, Livingston, and Steuben; the five boroughs of New York City, and Long Island)

260 Franklin Street, 16th floor  
Boston, MA 02110  
617/261-0800